THE UNIVERSITY OF CHICAGO

ROUND TABLE

WAR PROFITS

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A Radio Discussion by

- THURMAN ARNOLD
- LEO M. CHERNE
- NEIL H. JACOBY

426th BROADCAST IN COOPERATION WITH THE NATIONAL BROADCASTING COMPANY • 214

APRIL 19, 1942

THE UNIVERSITY OF CHICAGO

ROUND TABLE

REG. U.S. PAT. OFF.

Published weekly. 10 cents a copy; five copies, 25 cents; full-year subscription, 52 issues, two dollars. Published by the University of Chicago, Chicago, Illinois. Entered as second-class matter January 3, 1939, at the post office at Chicago, Illinois, under the Act of March 3, 1879.

No. 214

NOTE

The supplementary information contained in the footnotes to the following text, developed by staff research, is not to be considered as representing the opinions of the ROUND TABLE *speakers. Following the transcript of the broadcast are questions which readers may wish to use for analysis and discussion. It is hoped that teachers and discussion leaders may find this additional service of the* ROUND TABLE *transcript helpful in their study of the subject discussed in the broadcast.*

WAR PROFITS

A UNIVERSITY OF CHICAGO ROUND TABLE BROADCAST*

THURMAN ARNOLD, United States Assistant Attorney-General

LEO M. CHERNE, Executive Secretary, Research Institute of America; Lecturer, Georgetown University School of Foreign Service

NEIL H. JACOBY, Business School, University of Chicago; Secretary of the University

* A radio discussion broadcast from Washington, D.C., over the Red Network of the National Broadcasting Company, Sunday, April 19, 1942, at 2:30 P.M., Eastern War Time.

The ROUND TABLE, oldest educational program continuously on the air, is broadcast entirely without a script, although participants meet in advance, prepare a topical outline, and exchange data and views. Subjects are chosen because of their social, political, or economic significance. The program has no "ax to grind." In the selection of speakers, the effort is to provide a balanced discussion by participants who have special competence and knowledge. The opinion of each speaker is his own and in no way involves the responsibility of either the University of Chicago or the National Broadcasting Company.

WAR PROFITS

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History records few wars in which profiteering failed to become an important and controversial issue. Today, while government levels ceilings on prices, rations scarce commodities, and boosts taxes on individuals and corporations alike, the question of excess profits has again become an issue.

Should anyone be permitted to profit from war—or consolidate its economic position at the expense of all-out production? Must industry be guaranteed a specific or unlimited return upon its capital before it will cooperate fully with the government's war program? Can and should excessive profits be taxed away? What are the pros and cons of the excess-profits enigma?

To resolve and answer some of the above questions, the University of Chicago ROUND TABLE *invited three expert observers to its microphone to discuss: "War Profits."*

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MR. JACOBY: "War Profits" is a highly emotional subject. Everybody's heard about profiteering. After World War I the Nye committee investigated the munitions industries and found that they had made extravagant profits. They were called "merchants of death."[1] This time I think there's a public conviction that no one should make and keep any "blood" money.

MR. CHERNE: The war profits which we're discussing are a little different from the war profits that Pierre Laval is willing to sell the

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[1] *For a description of the findings of the Nye investigating committee see "Merchants of Death," by Helmuth C. Engelbrecht and F. C. Hannighen (New York: Dodd, Mead & Co., 1934).*

French people for, as we have just heard,[2] for the problem of war profits, unfortunately, is not a new one, whether they are the type of profits that Laval is interested in or the type of profits that a "merchant of death" or a "war profiteer" is interested in. As a matter of fact, the Roman Senate attempted to recapture the great war gains of certain Roman generals over two thousand years ago.

MR. ARNOLD: I've always thought that war profits were important from a morale point of view, but monopoly control has always seemed to be more important from an economic point of view. However, I don't want to interrupt the discussion at this point with monopoly control.

MR. JACOBY: The first thing we must do here is define war profits.

MR. CHERNE: I would define war profits as any profits in wartime.

MR. ARNOLD: I think that's right. For instance, if a man is making excessive profits from the sale of bread or the building of houses, he is interfering with the war effort just as much as if it was coming from munitions; particularly in this war, when every single piece of production—food, clothing, drugs, housing, and war materials—is a part of the war. I would say war profits were any profits that were made.

MR. CHERNE: I don't think Jacoby will agree with us. As a matter of fact, I see the disagreement written all over his face.

MR. JACOBY: You gentlemen (like Alice in Wonderland) can define a term any way you want to, but it seems to me most helpful to define war profits as the excess over normal profits.

In other words, since we operate under a private-enterprise sys-

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[2] *Just before the* ROUND TABLE *discussion began, it was announced from Vichy, France, that Marshal Petain fully supports Pierre Laval and that he urged in a radio address that the French people do likewise.*

tem, where production takes place in response to profits, during peacetime we get a normal level of profits. When war comes, we have great demands for goods, and some firms make excessive profits. War profits, then, are the excess profits over the normal level.

MR. ARNOLD: I think that many of the public would agree with you. Nevertheless, I think that if we actually defined it in that way for the purpose of legislation, we would create a great hardship on small business. The large businesses have bookkeeping systems which enable them to stabilize their profits, and they would continue it. Small business hasn't been making profits in the past; and such a definition, it seems to me, is impractical for any purpose of economic action.

MR. CHERNE: As a matter of fact, it's a preposterous definition if we think of the illustrations that the Truman Committee cited in its analysis of war profits. The Truman Committee pointed out that the Jack and Heintz Corporation had no profits at all before the war.[3] As a matter of fact, the corporation came into existence with the war, as have thousands of other firms.

So the profits that are being made today in the course of war in most cases have almost no relationship at all to anything that existed before the war.

MR. JACOBY: I must disagree with both of you on the definition of war profits. After all, the stockholder who has risked his money is entitled to some return, under a free-enterprise economy; and it seems to me that you get the wrong emotional appeal when you

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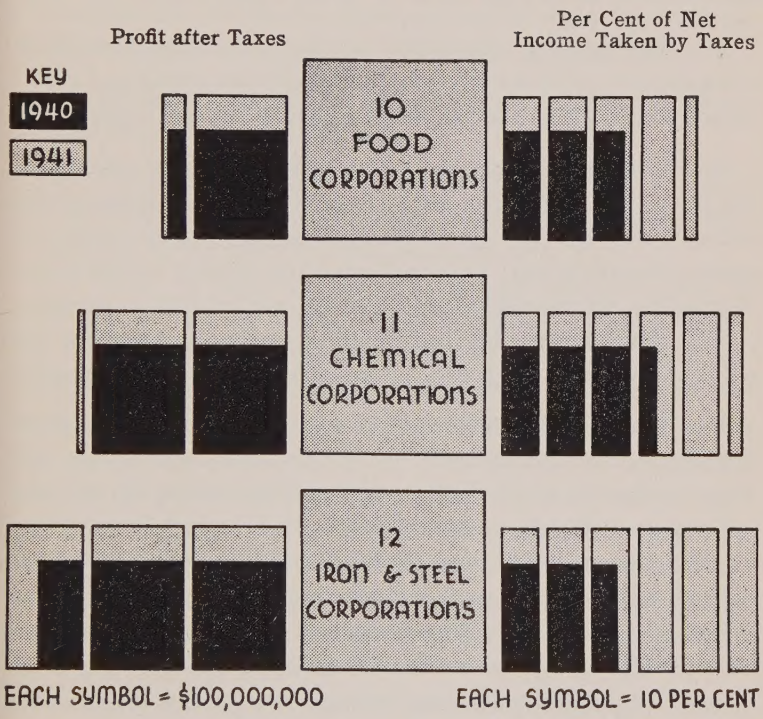
[3] *Jack & Heintz, Inc., of Bedford, Ohio, manufacture airplane starters. The company reported that its net profit was only 10 per cent, but, "disallowing exorbitant salaries, bonuses, and similar expenses," said Committee Counsel Edmund Toland, "these profits would be about 100 per cent."*

PROFITS AND TAXES: 1940 AND 1941

Manufacturing Corporations Reporting Income and Excess Profits Taxes of over $5,000,000 on 1941 Incomes



SOURCE: NATIONAL CITY BANK (NEW YORK), "BULLETIN," APRIL, 1942

refer to all the profits that business makes during wartime as war profits. We have an excess-profits tax in the United States today which attempts to capture for the government only a part of these excess profits that I'm talking about.

MR. CHERNE: Just a moment! You're talking about the elimination of a certain portion of war profits. If you recall the definition

on which Arnold and I agreed, it's just a definition of what war profits *are*. We haven't said anything yet about either eliminating those war profits or cutting them out. We're trying to determine what it is we are talking about in the first place. Isn't that true?

MR. ARNOLD: Yes. We suspect you of getting a definition which will operate to the great advantage of established cartels and established monopolies and to the disadvantage of the small fellow.

MR. JACOBY: I assure you your suspicion is entirely unfounded, but let's go on. All that our discussion of the definition of war profits proves is that the experts can disagree on this complex subject as much as the public can. If we can agree that there are certain things that we can call "excessive profits," what are the evils of excessive profits earned by some businesses during wartime as a result of the strong demands for goods and the shortages of labor and materials?

MR. CHERNE: I think the first evil is the injury to morale. Fortunately, or unfortunately, war profits, excess war profits, war wages, excess war wages, will be compared, time and again, with the wages that exist in the armed services. As you recall, just last week, when we discussed with General Hershey the ultimate problem of drafting eight million men into the armed services, we considered the relationship of this military machine to our civilian economy.[4] We face a conflict now between things which are true, and must be true, in the military branches of the government and things which are not true, and which must not be true, in the civilian phases of the life we're defending.

MR. JACOBY: I agree that the morale effect of excessive profits during war is extremely important. You can't expect men to fight

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[4] *Brigadier General Lewis B. Hershey, Leo M. Cherne, and Neil H. Jacoby, "Wanted: 30,000,000 Men," a University of Chicago* ROUND TABLE *transcript, April 12, 1942.*

abroad at twenty-one dollars a month when somebody at home is making a pile of money. But it seems to me that an even more important evil of excessive war profits is the threat it gives to inflation. You can't tie down wages, you can't tie down prices, unless you also tie down profits. Otherwise, somebody is going to get the advantage of somebody else in the country. Would you agree to that?

MR. ARNOLD: I don't think that profits are nearly so important in inflation as monopoly control is.

MR. CHERNE: I'm afraid I'm with Jacoby this time. I think of the problem of war profits as most important, if not important exclusively, in the field of economic control.

Let me try to illustrate that. We recognize that prices must be fixed; and, as a matter of fact, I think I can safely make the prediction that within the next two weeks we will have a very drastic imposition of price control over a huge segment of American life. But we start out with the assumption that prices *must* be fixed, because there are millions of people whose income is fixed, millions of people who live on annuities of insurance, or many thousands who are still unemployed. Every rise in the price of any commodity required for the maintenance of life means that people whose incomes are fixed just can't get as much. It means that that group is singled out for the excessive hardship of this inflationary trend.

Now, if we start out with the assumption that prices must be fixed, we know that prices can't be fixed unless wages, which are an important part of prices, are also controlled. Now, there isn't the faintest chance in the world of controlling wages, for very understandable and logical reasons, unless profits are controlled. So we come to this picture: Whether or not the existence of excessive war profits is important in the first place, it is important because of the fact that without profit control, and severe profit limitations, you'll not have wage control; you'll not have price control; and you will have inflation.

MR. ARNOLD: You are now getting back to what I think is the principal element of war profits, and that is morale. To get morale to fix wages you've got to have profit control; but you're talking actually about inflation.

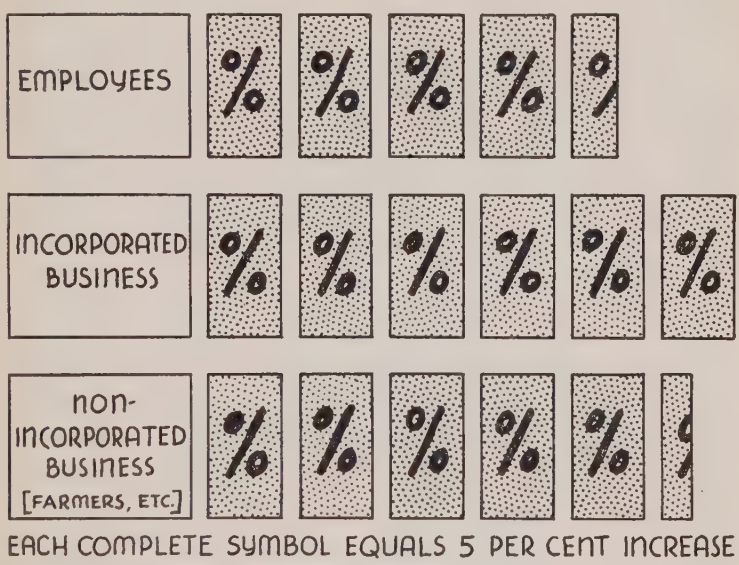
Let me give you a few examples from common things. Let's take milk. In many cities, owing to conspiracies and coercion, a luxury system of delivering milk in quart bottles is enforced. Now, that is so expensive that the price of milk can't be dropped as long as that inefficient method is carried on. The same is true of plumbing. I know of cities where the price of bread is kept up by artificial means and by keeping more efficient methods of delivery out.

All the wages in the world won't cure that sort of price spiral.

MR. JACOBY: What you're saying is that some of these restrictions on the use of efficient methods do create high costs and prevent prices from coming down. But, after all, we must remember that a good many cases of high profits and high prices occur in commodities not like milk but in commodities where there are shortages in materials, where there are strong demands, and where more dollars are flowing into people's hands than there are goods to go around. That results in what we might call a "seller's" market, where the seller is in a more strategic position to get bigger prices and more profits than he was before. And that may be in a competitive industry.

MR. CHERNE: Even though we have not agreed before on what war profits are or how to define them, I think the three of us have agreed on the fact that excess war profits have certain evils that are very dangerous to morale, to production, and to our entire economic structure. Now, if the excess war profits do have those evils inherent in them, I think, logically, we should ask ourselves the question: Why not abolish all war profits?

MR. ARNOLD: I'm going to ask Jacoby if he's got some facts about business profits to start out that discussion?


INCOMES UP
Per Cent of Increase in 1941 Incomes over 1940 Incomes
EMPLOYEES
INCORPORATED BUSINESS
non-INCORPORATED BUSINESS [FARMERS, ETC.]
EACH COMPLETE SYMBOL EQUALS 5 PER CENT INCREASE
SOURCE: UNITED STATES DEPARTMENT OF COMMERCE

MR. JACOBY: The Department of Commerce has recently made a survey of corporate profits during 1941, and it finds that profits are up about 30 per cent in 1941 over 1940 and up about 75 per cent in 1941 over 1939. That's a pretty healthy rise.[5]

MR. CHERNE: And it's important to note in that connection, too, that the rise is in profits *after* taxation. In other words, even though we have increased our taxes, the 30 per cent rise takes into account the fact that the higher taxes had already been paid.

MR. JACOBY: Of course, we've got to remember that all this in-

[5] *See illustration, above.*

creased profit doesn't mean more dividends. It wasn't paid out to the stockholders because corporations are finding they need a lot more money now in the business in order to pay for more inventory and to meet bigger pay rolls.

MR. ARNOLD: Let's face the problem of why it is that we don't abolish these profits. I think the simplest way of putting it is this: The only line of organization where profits are abolished is in a military organization, and we cannot convert our whole economy into a military organization very quickly, even if we wanted to. The problems of management and the problems of discipline are so great that it would be impossible to abolish profits, even if we wanted to.

MR. CHERNE: As a matter of fact, the one reason we create this tremendous military establishment today is because we don't want to live the rest of our lives in a society that resembles the military establishment that Hitler and Hirohito would impose as the normal way of life.

MR. ARNOLD: That's right.

MR. JACOBY: I think you gentlemen, when you define war profits as being all profits made during wartime, are destroying confidence in the profit system, because there must be a distinction made between the normal profits of free enterprise and the excessive profits that arise during war conditions.

MR. CHERNE: Well, we went over the basis of our disagreement before, and I doubt that we'll accomplish anything by taking another ride on the same merry-go-round.

MR. JACOBY: At least we can agree that the preservation of the free-enterprise system is one reason why we ought not to set out to abolish all profits during wartime. Would you agree?

MR. CHERNE: That's right.

Mr. Arnold: And further than that I think that profits are effective as a method of stimulating production.

Mr. Cherne: They're effective even before we achieve the production. They're effective as a method of stimulating conversion. One of the reasons why conversion, in some cases, has not been achieved as quickly as it might has been the fact that industry in those instances saw an opportunity to continue with healthy profits in civilian enterprise and was not sure of the duration of the war—was not sure to what extent war would produce that profitable income.

Mr. Arnold: What is the comparison that you make between the military economy, which is not profitable, and the civilian economy, which does work on profit?

Mr. Cherne: Here's the comparison I would make, and it's a comparison that involves me in the liberty of using you as an illustration. I think it's just as false to make a comparison between a soldier in the armed forces at twenty-one dollars a month and a carpenter making sixty dollars a week, or to make a comparison between a colonel in the Army at thirty-five hundred a year and an executive in industry at twenty-five, thirty, or fifty thousand dollars a year. I think that's a false comparison, just as false as it is to point out that you, as chief of the Antitrust Division of the Department of Justice, getting nine thousand dollars a year salary (I don't think that is any confidence), are required to try important lawsuits before the United States Supreme Court, against opposing counsel whose annual income is over a million.

Mr. Jacoby: The point is that, when you get into a war situation, you must put people where they function effectively, in a hurry, and you haven't got a chance to let men compete for jobs and let the salary or wage level result from competition. You've got to establish them more or less arbitrarily.

MR. CHERNE: That's right.

MR. JACOBY: If we shouldn't abolish *all* war profits, how can we deal with those profits that we regard as excessive?

MR. ARNOLD: My own thought is that the best way of dealing with profits is by close bargaining on the part of the government. Profits differ in different industries. The incentive must be different in different industries. You get, in this way, an opportunity to take up one thing at a time. If the government will drive hard bargains, I think that the profits system will work all right.

MR. CHERNE: I agree that the Army and the Navy might, in many instances, drive much harder bargains for some of the munitions they're buying than they have, but I also recognize the innumerable difficulties that present themselves to the Army in driving that bargain.

First of all, in a number of cases the Army, as well as the private corporation involved, is dealing with materials, processes, and munitions that no one of the parties involved in that contract knows anything about in the first place, so that no idea exists before the contract is completed as to just what the profit will be.

MR. ARNOLD: That's true, and yet I like Mr. Justice Black's opinion in the Bethlehem Steel case, when he said that the responsibility is on the government to see that exorbitant profits are not made. And in that case he indicated that the government had failed in its responsibility in the last war and that it should not try to collect afterward because of its own mistakes.[6]

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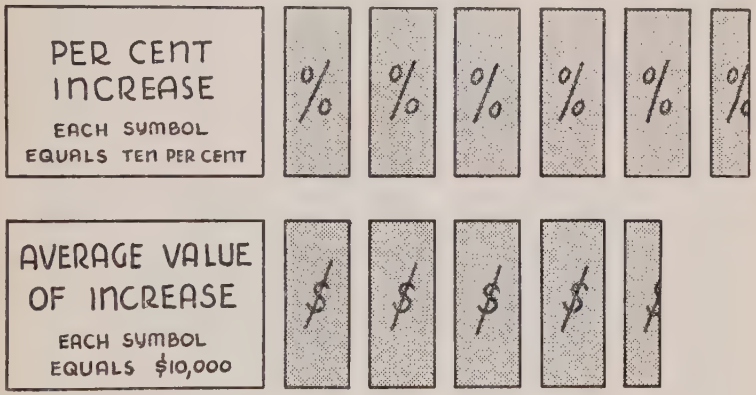
[6] *The Department of Justice in October, 1940, moved to establish the right of the federal government to reopen contracts where the contractor takes advantage of urgent government needs to realize an exorbitant profit. The litigation arose out of a shipbuilding contract entered into during World War I. The contract was on a cost-plus basis. The con-*

INCREASE IN REMUNERATION OF CORPORATION EXECUTIVES*

Twenty-four Corporation Executives Who Received $2,241,789 in 1940 Received $3,387,996 in 1941, or—



SOURCE: "YOUR INVESTMENTS," QUOTED IN THE "NEW REPUBLIC," APRIL 20, 1942

MR. JACOBY: I think it's quite true that the Army and the Navy, by being sharper bargainers, could prevent some firms from making

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tractor was to be repaid the cost of constructing vessels, plus a fixed profit of 10 per cent of the estimated cost, plus a further "bonus for savings" equal to one-half of the amount by which actual cost was less than estimated cost. The government charged that the company submitted inflated cost estimates so that its fixed fee ran abnormally high and so that it could also get a large savings bonus for performing the job for less than estimated cost. The government's plea was disallowed (United States *v.* Bethlehem Shipbuilding Co.).

* *The "New Republic" editors comment: "There may be special circumstances in some of these cases, of which we are not aware. We don't know that every firm in the list has war contracts, though it is certainly true of a majority."*

as much money as they have. Perhaps the case of Jack and Heintz, which we've all read about in the press, is a case in point.

But we still must remember that there are a lot of corporations not holding war contracts that are making excessive profits. And the only way you can recapture those profits is to get them back through taxation. And the difficulty with our present excess-profits tax, it seems to me, is, first of all, that the rates are not high enough and, second, that the law permits businesses to siphon profits into extravagant advertising, branch offices, research, and bonuses to executives.[7]

MR. CHERNE: It's easy enough to increase the rates in excess-profits taxation, but I doubt that the increase of the rates which the Treasury has proposed will take care of the problem.[8] One of the great difficulties in excess-profits taxation is deciding just what the excess profits are. We've had that difficulty in the course of this broadcast. There is the difficulty of squeezing some businesses un-

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[7] *See illustration, page 13.*

[8] *Secretary of Treasury Morgenthau on March 3, 1942, in presenting Congress the proposed $7,610,000,000 war revenue program, included the following recommendations in regard to the excess-profits tax: The normal corporation income tax still would continue to range from 15 to 24 per cent. The excess-profits tax would be increased 15 per cent in each bracket, ranging from 50 to 75 per cent instead of the present 35–60 per cent. The war surtax rate would start at 16 per cent and reach a maximum of 31 per cent, displacing the present surtax of 6 or 7 per cent.*

The maximum corporation combined tax rate would be 88.75 per cent. The Treasury program provides that corporations would get back after the war 20 per cent of all taxes paid at the maximum rate.

The capital stock and declared value excess-profits taxes would be repealed because "they are determined largely by the accuracy of guesses about future profits."

duly, while other businesses, by the same definition, will make more exorbitant and extravagant profits.

Mr. Jacoby: For example, the proposal Senator Thomas made in the Senate—that on contracts of a hundred thousand dollars or less there ought to be a 10 per cent profit on cost and that on contracts running up over ten million it ought to be 2 per cent—gives you no basis, really, for judging whether the profit is excessive or not.

Mr. Cherne: That's right. One company, operating as a low-cost producer, might make 25 per cent on a hundred-thousand-dollar contract. Another company in the same field of business, but not a low-cost producer, and not being capable of becoming a low-cost producer, might, on that one-hundred-thousand-dollar contract, at a 10 per cent price limitation be completely without profit or suffer a loss.

Mr. Arnold: It all brings us back to the point I first made: the best remedy for this problem is close bargaining when the original contract is made, because there you can differentiate between one company and another.

Mr. Cherne: You have emphasized close bargaining, and Jacoby has emphasized taxation. I'd like to emphasize what I believe is the only practical solution to the problem of profits in a war economy.

I don't think the problem of profits can be considered separately, any more than the problem of manpower can be considered separately, or the problem of wages can be considered separately. I believe there is need for an over-all, coordinated, economic program which will take price control, rationing, allocation, taxation, fiscal policy, credit control, and wave all of them into one coordinated program that makes sure that no one segment of our society either suffers unduly or profits unduly.

Mr. Jacoby: That's a fine ideal, and I agree with you; but, even if we had over-all control of prices and rationed goods, we would still have some firms making high profits in wartime, and I don't think the special problem of limiting war profits would be solved.

Mr. Cherne: I think Arnold has a specific interest in one of the major reasons why these exaggerations exist: the part that antitrust action plays in economic control and in economic profits.

Mr. Arnold: I consider that in the background of every form of economic control there must be the elimination of economic power by private groups to frustrate that control. Without that elimination your control of any kind is going to be a failure.

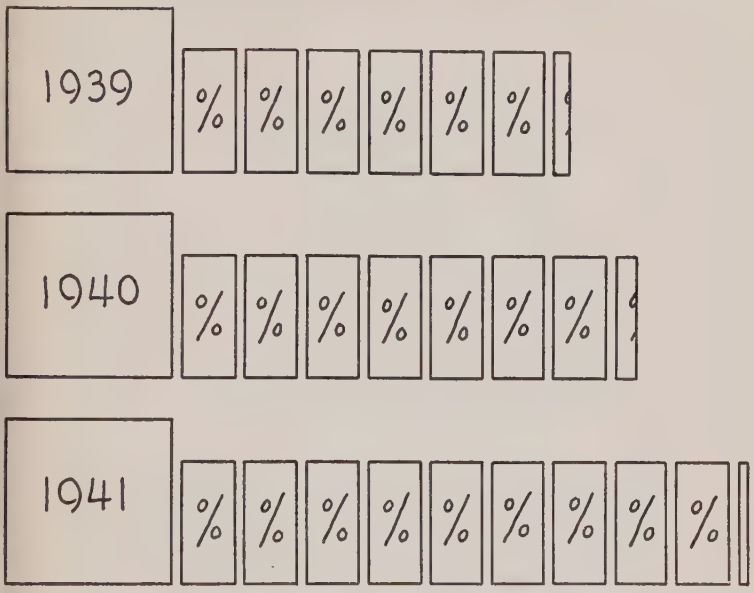
Now, I'll just list the things I'm talking about in war. First, there is the concealed restrictions of production in war industries in order to keep the particular material from being a drug on the market after the war.

Mr. Cherne: In other words, you say that there are certain materials that are required for war (of which we haven't an adequate supply at the present time) and that the reason for that inadequate supply is not a real shortage of the material but a shortage maintained by conspiracy.

Mr. Arnold: There are an enormous number of those things going on. I'll give you an example without naming names. Here's a shipbuilding concern in the East. It has a great deal of experience, a great deal of "know-how," and it's filled up with orders and can't take any more. We have to call on a concern in the Middle West. The eastern concern won't help out the concern in the Middle West with knowledge, information, blueprints, and so on, unless the concern in the Middle West agrees to go out of business after the war. Now that means that the government must pay more money and that the concern has no incentive. It's a typical restriction of pro-

RETURNS ON INVESTED CAPITAL TREND

2,500 Largest American Corporations*



EACH COMPLETE SYMBOL EQUALS 1 PER CENT RETURN

SOURCE: NATIONAL CITY BANK (NEW YORK)

duction. We must break those things up by investigations and prosecutions or economic control won't work.

Then there is the preventing of new enterprises from getting into war production by keeping it in a ring.

MR. CHERNE: Well, what illustration have you of the prevention of new enterprise that plays any substantial part in this war economy?

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* *The net worth of the corporations studied totals about $60,000,000,000 and constitutes about 40 per cent of the net worth of all active corporations in the United States (numbering 471,000).*

MR. ARNOLD: We've been testifying on that sort of thing before congressional committees. The Standard Oil cartel, which you can read about in the report of the Truman Committee, was that sort of a thing.[9] Then there is the perpetuation of inefficient methods of distribution of civilian necessities.

MR. CHERNE: Give us an example of that.

MR. ARNOLD: Take housing. We have only one hard-board company in the United States, and we are short of hard board. And then many cities won't allow more efficient materials to be used at all. Protective tariffs keep electrical goods made in one area out of another. I could go on forever.

MR. CHERNE: In other words, you're emphasizing that in these cases the desire on the part of some individuals or some businesses for control or for power may play a more important part than their desire for profits.

MR. ARNOLD: The desire for power and the desire for control are the bases of the monopoly problem. These desires mean the destruction of small businesses and the exploitation of consumers. I think they have resulted in our present shortages of metals, chemicals, and, on the civilian side, housing.

In other words, we have had an economy where only luxuries could be thrown into full production. We've been able to get full production of automobiles but not of housing. Why? Because in the case of the necessity the market has been shot full of restrictions.

MR. JACOBY: I think you're quite right in saying that a part of the war-profits problem is one of ridding the economic system of

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[9] *For a discussion of the effects of the consent decree which ended the Standard Oil of New Jersey–I.G. Farben connection for the duration and made the synthetic rubber patents available see I. F. Stone, "The Truth about Rubber," "Nation," April 18, 1942.*

these restraints that have been built up through cartels, through the misuse of patents, and through other restrictions on production. But, after all, isn't that the minor part of the problem?

MR. ARNOLD: No, I think not.

MR. JACOBY: Even if you swept all those restraints away, you would still have shortages of goods in many areas, and those shortages would result in the bidding-up of prices, in the charging of higher prices, and in the earning of larger profits.

MR. ARNOLD: Not with priorities, they would not. The reasons for this struggle for control are very interesting. I think it all comes from the fact that these people don't actually believe in free competitive capitalism and that they're afraid of a depression after the war. They are afraid that steel is going to be a drug on the market or that aluminum is going to be. Now, that is the greatest psychological handicap to full production that we have.

I think that we're on the verge of a new light-metals age, with tremendous plenty for everyone if we can only break the restrictions which have so far prevented our use of those new light metals.

MR. CHERNE: What you're urging is that we have illustrations at the present time of corporations which are willing to sacrifice the profits that could be made during war because of their fear that by earning those profits, by expanding production, they would be creating competitors for their own enterprise after the war is over.

MR. ARNOLD: That's it exactly. Let me give you a simple illustration, which I take from a case which is being argued in the Supreme Court of the United States, the Univis case.[10] In this case,

[10] *The Univis Corporation, a corporate owner of patent rights for the manufacture of bifocal lenses, operated under three types of licenses. It was charged that through these licensing agreements Univis set up a system of monopoly price control. The court found "the use of the li-*

by virtue of a patent, they have so stabilized the price of spectacles that a spectacle which costs about three dollars at the wholesaler's sells at the retailer's for twenty dollars—over 500 per cent profit.

MR. CHERNE: And that affects *all* spectacles?

MR. ARNOLD: It does, and there are similar things in the sales of other spectacles. Now, why are they doing it? They don't want to disturb the stabilized price structure they have set up. They are not making a great deal of money out of it, and thirty-four million people need spectacles that don't have them today.

MR. JACOBY: Our conclusion, then, is that no American wants anyone to make money out of this war, whether it's the stockholder, the manager, the creditor, or the worker in business.

That doesn't mean that we should seek to eliminate normal profits or normal wages for the duration. It means we should eliminate or recapture the excessive profits resulting from war activity.

To a large extent we don't need to depend upon an excess-profits tax to do the job. Profiteering can be prevented by close bargaining on war contracts and by the removal of monopolistic restrictions on production. These acts will prevent excessive profits from emerging, but where swollen profits do appear they should be recaptured by a heavy taxation—a taxation so framed as to prevent business concerns from diverting funds into extravagant advertising, bonuses, and other expenses that do not contribute to winning the war.

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cense system to exclude persons from the market because they cut prices was not an abuse of the patent privilege. Only those franchise agreements under which nonfinishing prescription retailers agreed with the distributor or wholesaler to maintain minimum retail prices were illegal and void since no manufacturing operation was performed by such retailers. They received patented articles to which they had full legal title" (United States *v.* Univis Lens Company, Inc., et al., *U.S.D.C., New York, September 17, 1941*). *The government has appealed this case to the Supreme Court.*

SUGGESTED READINGS

"Arms Profits," *Newsweek*, February 2, 1942.

CHERNE, LEO M., *Your Business Goes to War*. Boston: Houghton Mifflin Co., 1942. *Advice to business on how to cooperate with the war effort.*

"High Cost of Battleships," *New Republic*, February 2, 1942. *Profiteering in shipyards.*

HUTCHISON, KEITH, "Everybody's Business," *Nation*, February 11, 1942. *Business and war profits.*

KENNEDY, E. D., "War Profits: The Case of the Railroads," *New Republic*, November 3, 1941.

———, "War Profits: The Case of Steel," *New Republic*, October 27, 1941.

———, "War Profits: Competition in Aluminum," *New Republic*, November 10, 1941.

STRAIGHT, MICHAEL, "Dollar-a-Year Sabotage," *New Republic*, March 30, 1942. *Argues that profit-conscious business leadership falls down in wartime.*

"War Profit Curb?" *Business Week*, January 3, 1942. *Analysis of suggestions for profit limitation.*

"Wonderful Man," *Time*, April 6, 1942. *An example of war profits.*

WYNNE, WILLIAM H. *Financing the War*. Philadelphia: Tax Institute (Wharton School of Finance and Commerce, University of Pennsylvania), March, 1942. *Survey of wartime fiscal policy.*

OBJECTIVE QUESTIONS FOR EXAMINATION

The answers to the following questions may be found in the text of the broadcast, and page references are provided to assist in locating the answers.

*

1. What congressional committee, after World War I, investigated the munitions industry? Page 2.
2. What are the two definitions of war profits given by the speakers? Pages 3 and 4.
3. What difficulty arises when war profits are defined as excess profits over the normal level? Page 4.
4. What are some of the bad effects of excessive profits? Page 7.
5. How are profits tied up to the problem of controlling wages and prices, according to Mr. Cherne? Page 7.
6. How is monopoly control connected to inflation, according to Mr. Arnold? Page 8.
7. What is a "seller's" market? Page 8.
8. According to the Department of Commerce, how much have corporate profits risen? Page 9.
9. According to the speakers, what is the only kind of organization in which profits are abolished? Page 10.
10. What are the methods suggested for dealing with profits that are regarded as excessive? Page 12.
11. What is Mr. Justice Black's opinion in regard to the blame for exorbitant profits? Page 12.
12. What are some of the effects of monopoly upon production pointed out by Mr. Arnold? Pages 16, 17, and 18.

QUESTIONS FOR ANALYSIS AND DISCUSSION

The following questions of wider scope, intended for discussion, are suggested by the broadcast, and answers may be found in the literature on the subject listed in the section "Suggested Readings," found on page 21.

*

1. What do you regard as the most practicable and just definition of "war profits"?
2. Do you think profits are a necessary incentive for wartime production?
3. What are the facts about present war profits? What groups are making war profits?
4. Do you agree with Mr. Cherne that it is necessary to enact profit limitation before prices can be fixed, wages controlled, and inflation checked? Discuss.
5. What are the methods suggested for limiting profits? Do you favor a 100 per cent excess-profits tax? What are some of the inequities and difficulties of the excess-profits tax?
6. How does the government control "profiteering" at the present time?
7. Is money the most important kind of war profit? Can elimination of post-war competition, consolidation of competitive position, or acquisition of new plant be regarded as a war profit? Can a position of greater control and power be called a war profit?
8. What part does antitrust action play in economic control and in limiting economic profits?
9. What are the implications of profit limitation in regard to a free-enterprise system?

The Listeners' Round Table . . . .

Letters to the ROUND TABLE *frequently contain interesting and illuminating side lights on the subject matter discussed on the air. These comments are from letters received following the broadcast-discussion, "Wanted: 30,000,000 Men," April 12, 1942.*

*

Case History

I have just listened to your discussion . . . . it was ironic.

In December last year, on account of the priority situation, I became unemployed from a position of production and sales manager of a small company in New England. . . . . From January 1 until March 20, I canvassed the war industries in Buffalo, New York. In most places I was told they had all the help they wanted or that they would call me later.

On the twenty-fifth of March I attended a convention in Boston and was hired by an executive as a public relations manager. . . . .

I am fifty-five years old, in good health, a widower with no dependents, and willing to go anywhere or do anything I can for my country.

I am a practical engineer specializing in mechanics. During the last war I was assistant purchasing agent and then chief expediting engineer for the Nitrate Department, Division T, U.S. Ordnance, assigned to the Air Nitrates Corporation that built the nitrate plant at Muscle Shoals, Alabama.

During the last war I also did all the industrial gas installation work for the naval magazine at Hingham, Massachusetts.

I am glad to have the opportunity of registering this month, but what is the matter with now? I have been an executive in industrial work for more than thirty years, and yet I am forced to work at a nonessential job.

C. D. B., New York

*

Retailers

I would have liked to have heard Colonel Hershey admonish the consumers to have tolerance and offer cooperation to their retailers who have to contribute so many to the thirty millions we'll need. Too many who have been spoiled by too much service hardly realize there is a war. . . . .

More power to the ROUND TABLE. I've been a listener and a subscriber since it started and have missed very few broadcasts, and, while I disagree many times with the participants, it seems to me it grows better each time.

W. C., Minnesota

Oldster

One of your speakers said the primary object of the contemplated registration of the "oldsters" is to give the United States Employment Service a detailed inventory of all skills available. From personal experience I would say that if they make no more use of the information than they have of what they already have, it will be a waste of taxpayers' money.

I have been registered with that service since September 15, 1939, listing two very highly specialized fields in which I am proficient—and with what results? I have been offered one job as janitor in a ten-cent store!

R. A. G., Wisconsin

Experienced Worker

I feel that we will find a great number of men from forty-four to sixty-five years of age who are now and have been more than willing to accept work. And the same men are, I am sure, capable of filling many a position that now seems hard to fill. As an example, I will be fifty-one years of age this year. . . . . I have had experience as far back as 1916. I was foreman of complete wire assembly for body and chassis of the Maxwell Motor Car Company in Detroit. For about five years I was with the Cadillac Motors in the Delco electric repair department, as workman—starting as repairman, then assistant to foreman handling all

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clerical work, and advanced to foreman of the department. I also have had experience as foreman of electrical inspection of all electrical auto parts with the Studebaker Corporation. I also spent one year as mechanic in charge of a fleet of about twenty cars with the Alabama Power Company.

I am sure there is a place somewhere for me if given a chance.

A. J. S., Louisiana

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LISTS

of 1938–40 Transcripts Still in Print Will Be Sent upon Request. Students and Teachers Will Find These Issues To Be Valuable Commentaries upon Events of the Period.

Nos. **1941**

150. *Can Capitalism Defend America?*
153. *Guns or Butter?*
154. *Dilemma in the Far East*
155. *How To Fight Nazi Propaganda*
156. *The Decline and Fall of the Roman Empire*
157. *Strikes and National Defense*
158. *Defense Economics*
161. *War Aims and Peace Aims*
163. *Lessons from Europe's War*
164. *The Effect of the Blitzkrieg on the Economic Order*
166. *Roosevelt* vs. *Hitler*
169. *War against the Middle Classes?*
170. *The Crisis and Your Pocketbook*
173. *Our Liberties*
174. *Blueprint for Hemisphere Defense*
177. *Defense: Who'll Pay the Piper?*
178. *Japan: Setting Sun?*
179. *National Unity*
180. *Weapons of Economic War*
182. *Crisis of Capitalism*
185. *New Frontiers in Education and Research*
186. *Anti-Semitism*
188. *Economics of Blitzkrieg*
189. *Showdown with Japan?*

Nos.

190. *Science and War*
191. *Defense Inventory*
192. *The Philippines*
193. *Little Business: What Now?*
194. *Labor's Responsibility in Defense*
195. *Canada: Neighbor at War*
196. *Civil Rights and "Public Danger"*
197. *Manpower: The Key to Victory*
198. *What Does Rationing Mean?*

1942

199. *Morale: Ours and Theirs*
200. *How To Meet the Menace of Inflation*
201. *Censorship*
202. *How United Are the Americas?*
203. *Are We Overconfident?*
204. *Labor Policies in Wartime*
205. *What Should the Churches Do in War?*
206. *What Should We Teach Our Youth Now?*
207. *Propaganda: Good and Bad*
208. *Civilian Defense*
209. *Taxes* vs. *Axis*
210. *Women, Work, and the War*
211. *The American Temper*
212. *India*
213. *Wanted: 30,000,000 Men.* April 12

All Round Table Transcripts Contain Added Factual Material in the Form of Graphs, Maps, Pictographs, Footnotes, Bibliographies, Etc.

It Takes MEN To Win a War . . . .

You should read: *Labor's Responsibility in Defense* (*194*), *Manpower: The Key to Victory* (*197*), *Labor Policies in Wartime* (*204*), and *Wanted: 30,000,000 Men* (*213*). These discussions contain important facts about the effects of war upon America's fighting and working manpower.

ROUND TABLE NETWORK OF 102 STATIONS

2:30 P.M. EASTERN WAR TIME

City	Call Letters	Kilocycles	City	Call Letters	Kilocycles
Allentown, Pa.	WSAN	1470	Lima, Ohio	WLOK	1240
Altoona, Pa.	WFBG	1340	Manchester, N.H.	WFEA	1370
Asheville, N.C.	WISE	1400	Miami, Fla.	WIOD	610
Atlanta, Ga.	WSB	750	New York, N.Y.	WEAF	660
Baltimore, Md.	WBAL	1090	Norfolk, Va.	WTAR	790
Boston, Mass.	WNAC	1260	Philadelphia, Pa.	KYW	1060
Buffalo, N.Y.	WBEN	930	Pittsburgh, Pa.	KDKA	1020
Charleston, S.C.	WTMA	1250	Portland, Me.	WCSH	970
Charlotte, N.C.	WSOC	1240	Providence, R.I.	WJAR	920
Cleveland, Ohio	WTAM	1100	Raleigh, N.C.	WPTF	680
Columbia, S.C.	WIS	560	Richmond, Va.	WMBG	1380
Columbus, Ohio	WCOL	1230	Rochester, N.Y.	WHAM	1180
Dayton, Ohio	WING	1410	Savannah, Ga.	WSAV	1340
Detroit, Mich.	WWJ	950	Schenectady, N.Y.	WGY	810
Florence, S.C.	WOLS	1230	Springfield, Ohio	WIZE	1340
Grand Rapids, Mich.	WOOD	1300	Tampa, Fla.	WFLA	970
Greenville, S.C.	WFBC	1330	Washington, D.C.	WRC	980
Jacksonville, Fla.	WJAX	930	Wilmington, Dela.	WDEL	1150
Johnstown, Pa.	WJAC	1400	Winston-Salem, N.C.	WSJS	600
Lakeland, Fla.	WLAK	1340	Zanesville, O.	WHIZ	1240

1:30 P.M. CENTRAL WAR TIME

Amarillo, Texas	KGNC	1440	Louisville, Ky.	WAVE	970
Birmingham, Ala.	WBRC	960	Madison, Wis.	WIBA	1310
Bismarck, N.D.	KFYR	550	Mankato, Minn.	KYSM	1230
Bristol, Tenn.	WOPI	1490	Memphis, Tenn.	WMC	790
Chicago, Ill.	WMAQ	670	Minneapolis and St. Paul, Minn.	KSTP	1500
Duluth, Minn., and Superior, Wis.	WEBC	1320	New Orleans, La.	WSMB	1350
Eau Claire, Wis.	WEAU	1070	Oklahoma City, Okla.	WKY	930
El Paso, Texas	KTSM	1380	Omaha, Neb.	WOW	590
Evansville, Ind.	WGBF	1280	Pittsburg, Kans.	KOAM	810
Fargo, N.D.	WDAY	970	Rochester, Minn.	KROC	1340
Fort Wayne, Ind.	WGL	1450	St. Cloud, Minn.	KFAM	1450
Fort Worth, Texas	KGKO	570	St. Louis, Mo.	KSD	550
Hattiesburg, Miss.	WFOR	1400	San Antonio, Texas	WOAI	1200
Indianapolis, Ind.	WIRE	1430	Shreveport, La.	KTBS	1480
Jackson, Miss.	WJDX	1300	Sioux Falls, S.D.	KSOO	1140
Kansas City, Mo.	WDAF	610	Springfield, Mo.	KGBX	1260
Kingsport, Tenn.	WKPT	1400	Terre Haute, Ind.	WBOW	1230
Laurel, Miss.	WAML	1340	Tulsa, Okla.	KVOO	1170
Little Rock, Ark.	KARK	920	Wichita, Kans.	KANS	1240

12:30 P.M. MOUNTAIN WAR TIME

Albuquerque, N.M.	KOB	1030	Phoenix, Ariz.	KTAR	620
Billings, Mont.	KGHL	790	Pocatello, Ida.	KSEI	930
Boise, Ida.	KIDO	1380	Salt Lake City, Utah	KDYL	1320
Bozeman, Mont.	KRBM	1450	Tucson, Ariz.	KVOA	1290
Butte, Mont.	KGIR	1370	Twin Falls, Ida.	KTFI	1270
Denver, Colo.	KOA	850	Yuma, Arizona	KYUM	1240
Helena, Mont.	KPFA	1240			

11:30 A.M. PACIFIC WAR TIME

Fresno, Cal.	KMJ	580	San Francisco, Cal.	KPO	680
Los Angeles, Cal.	KFI	640	San Diego, Cal.	KFSD	600
Medford, Ore.	KMED	1440	Seattle, Wash.	KOMO	950
Portland, Ore.	KGW	620	Spokane, Wash.	KHQ	590
Sacramento, Cal.	KFBK	1530			

STATIONS CARRYING ROUND TABLE BY TRANSCRIPTION

Cincinnati, Ohio	WSAI	1360	10:30 P.M. E.W.T.
Milwaukee, Wis.	WTMJ	620	4:00 P.M. C.W.T.

War and the Family

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A UNIVERSITY OF CHICAGO ROUND TABLE BROADCAST

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APRIL 26, 1942

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LELAND C. DE VINNEY, Department of Sociology, the University of Wisconsin

WILLIAM F. OGBURN, Chairman of the Department of Sociology, University of Chicago

ALAN VALENTINE, President of Rochester University

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SUGGESTED READINGS

BACMEISTER, R. W., "Our Children Face War," *Parents' Magazine,* August, 1940.

PALMER, G., "Marriage and War," *Ladies' Home Journal,* March, 1942.

WALLER, WILLARD, *War and the Family.* New York: Dryden Press, 1940.

[PRINTED IN U.S.A.]